

Message Text

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ORIGIN STR-05

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TO USMISSION GENEVA
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 256367

GENEVA FOR PHELAN FROM SMITH

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: TEXTILES: EC BILATERAL NEGOTIATIONS

REFERENCE: GENEVA 9083

1. COPY OF EC "STANDARD DRAFT AGREEMENT" ARRIVED, AND APPRECIATE USREP'S KEYED COMMENTS THERETO.
2. ASIDE FROM VERY MAJOR ABSENCE OF ANY MEANINGFUL REFERENCE TO MFA PRINCIPLES (WHICH CASTS SHADOW OVER ENTIRE EC BILATERAL NEGOTIATIONS NOW UNDERWAY), WE SEE, INITIALLY, THE FOLLOWING ARTICLES AND PARAGRAPHS AS AREAS OF MAJOR CONCERN TO USG:

A. ARTICLE 3, PARA 2, FIRST NINE WORDS. IS EC IMPLY-
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ING THAT ALL QUANTITATIVE RESTRAINT AGREEMENTS CAN BE VOID-
ED IF PRICE FACTOR BROUGHT INTO PLAY?

B. ARTICLE 5, PARAGRAPHS 4 AND 7. WE INTERPRET SWING
AS A RIGHT, NOT A PRIVILEGE, UNDER THE MFA.

C. ARTICLE 6. ENTIRE PARAGRAPHS ARE UNACCEPTABLE.

CAN USREP DETERMINE IF THIS MIGHT NOT BE OUTRIGHT VIOLATION OF GATT, ESPECIALLY UNDER MFA? WE FORESEE MAJOR PROBLEMS

WITH THIS ARTICLE IF EC PERSISTS, AS IT COULD EASILY IMPACT UPON THE US (DENIM OR CERTAIN MAN-MADE FIBER YARNS, FOR EXAMPLE).

D. ARTICLE 8, PARA 2 (ESPECIALLY PARA 2 (A)). THERE IS ABSOLUTELY NO REFERENCE TO MARKET DISRUPTION -- GLOBALIZATION IS INCORPORATED HERE WITH A VENGEANCE. WE DO NOT SEE HOW USG COULD BE PUT INTO POSITION OF EVEN IMPLICITLY GOING ALONG WITH THIS.

E. ARTICLE 12. WHAT IS "MARKET DISTORTION" AS OPPOSED TO "MARKET DISRUPTION"? WE ASSUME THIS IS MORE THAN JUST TRANSLATION NUANCES.

F. ARTICLE 14. THIS ARTICLE MAY BE THE BIGGEST MOUSETRAP OF ALL. COUPLED WITH ARTICLE 8, THIS ARTICLE COULD FOREVER RULE OUT INCREASES IN TEXTILE IMPORTS INTO THE COMMUNITY IF ONE ASSUMES, WE BELIEVE REASONABLY, THAT THE RULE OF COMPARATIVE ADVANTAGE WILL CONTINUE TO APPLY IN TEXTILES. WE CANNOT BELIEVE EXPORTING COUNTRIES WOULD AGREE TO THIS ARTICLE -- AND WE WOULD MOST CERTAINLY HAVE ENORMOUS DIFFICULTIES RE THE U.S. DOMESTIC INDUSTRY AS THIS REPRESENTS NOTHING MORE THAN ONE OF THE SIX POINTS

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THE DOMESTIC INDUSTRY WAS TRYING TO GET US TO ADOPT THIS PAST FEBRUARY.

G. ARTICLE 19. WHAT DOES THIS MEAN? IS THIS EXPORT ORIENTED, OR DOES IT COVER SOMETHING ELSE AND MORE OBSCURE?

H. PROTOCOL A, ARTICLE 2, "ARE PRODUCTS OTHER THAN OF COTTON, WOOL, OR MAN-MADE FIBERS". WE WOULD HAVE TO OBJECT TO THIS AS EXPANDING COVERAGE OF THE MFA.

I. TITLE II: ORIGIN. WE HAVE PROBLEMS WITH ALL THE ARTICLES 9 THROUGH 18. MATTHEISEN OF STR WILL STUDY AND COMMENT LATER.

J. PROTOCOL B ON HANDLOOMS. WE ASSUME THAT, ON CLOSE READING THE SO-CALLED HANDLOOM FABRICS DO NOT REPEAT NOT HAVE TO BE MADE BY HAND BUT, CERTAINLY, THE WORDING OF ARTICLE 2 OF THE PROTOCOL LEAVES NO DOUBTS ABOUT GARMENTS. WE WILL BE MEETING WITH INDIANS TOMORROW AND WILL TRY TO OBTAIN THEIR READING AND/OR INTERPRETATION.

K. FINALLY, WE DO NOT UNDERSTAND (OR PERHAPS FEAR)

WORDING OF SO-CALLED "DECLARATION". WE ASSUME THAT EC MEANS THAT IF IT DOES NOT JOIN MFA RENEWAL PROTOCOL, THE AGREEMENTS NEGOTIATED UNDER THIS DRAFT WOULD STILL REMAIN IN EFFECT. IF SO, THEN ABSENCE OF EC REFERENCE TO MFA

PRINCIPLES UNDERSTANDABLE IF HIGHLY REGRETTABLE.

3. RE ANNEX I LISTING SENSITIVE GROUPS, IT IS INTERESTING TO NOTE HIGH PERCENTAGE IN GROUP I OF COTTON PRODUCTS. WE ASSUME THIS REPRESENTS THE CONCESSION TO THE U.K.

4. COMMENT: WE WOULD AGREE WITH PARA 23 REFTEL THAT PRESENT DRAFT SERIOUSLY DEROGATES FROM MFA. SECONDLY, WE BELIEVE TRAN AND COMPANY DID NOT FULLY SQUARE WITH US
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WHETHER DURING LATEST MEETING IN ROME OR IN GENEVA THIS PAST SUMMER. WHILE WE UNDERSTAND THERE ARE STILL SOME PROTOCOLS TO COME, FROM WHAT WE HAVE SEEN THUS FAR, THE PROSPECTS FOR THE EC SUCCEEDING BASED ON THIS DRAFT APPEAR DIM. END COMMENT. VANCE

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